GOVERNMENT OF INDIA
AGRICULTURE AND FARMERS WELFARE
LOK SABHA

UNSTARRED QUESTION NO:3493
ANSWERED ON:08.08.2017
Reduction in Premium on Farmersâ€™ Debt
George Shri (Adv.) Joice

Will the Minister of AGRICULTURE AND FARMERS WELFARE be pleased to state:

(a) whether many of the States have resorted to unethical practices to reduce their premium burden due to farmers' debt trap;

(b) if so, the details thereof, State-wise;

(c) whether the Government is planning any centralized mechanism to manage the debt issue of farmers;

(d) if so, the details thereof; and

(e) whether the State Governments have requested the Union Government to intervene in the matter and if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND FARMERS WELFARE

???? ??? ????? ?????? ???????? ??? ????? ?????? (SHRI PARSHOTTAM RUPALA)

(a) & (b): No, Madam. No such incidence has been reported in this regard.

(c) to (e): To manage the debt issues of farmers, the Government has undertaken the following centralized mechanisms:

1. Reserve Bank of India (RBI) vide its master circular dated 1st July 2015 on "Priority Sector Lending − Target and Classification" have fixed 40 per cent of Adjusted Net Bank Credit (ANBC) under priority sector lending for all scheduled commercial banks operating in India of which 18% target is for agriculture sector. 18 percent of ANBC/ Credit Equivalent Of Off-Balance Sheet Exposure(CEOBE), whichever is higher within the 18 percent target for agriculture, a target of 8 percent of ANBC/CEOBE, whichever is higher is prescribed for Small and Marginal Farmers, to be achieved in a phased manner i.e., 7 per cent by March 2016 and 8 per cent by March 2017.Foreign banks with 20 branches and above have to achieve the Agriculture Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI. The sub-target for Small and Marginal farmers would be made applicable post 2018 after a review in 2017. Scheduled commercial banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to Rural Infrastructure Development Fund (RIDF) established

Continueâ€¦.2/-

with NABARD and other funds with NABARD/National Savings Bank (NSB)/ Small Industries Development Bank of India (SIDBI)/ Micro Units Development and Refinance Agency (MUDRA) ltd., as decided by RBI from time to time. The interest on banks' for contribution to RIDF or any other Funds, tenure of deposit etc shall be fixed by RBI from time to time.

2. Kisan Credit Card (KCC) Scheme an innovative credit delivery mechanism to meet production credit requirement of farmers in a timely and hassle-free manner, has since been simplified by providing the farmers with Automatic Teller Machine (ATM) enabled debit card based on one-time documentation, multiple drawals within the limit and built-in cost escalation in the limit, etc. The credit limit/ loan amount under KCC is fixed by Banks as per guidelines issued by RBI. The short term credit limit under KCC for the first year is determined based on Scale of Finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest/household/ consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance and/or accident insurance including personal accidental insurance scheme (PAIS), health insurance and asset insurance. The limit for second and subsequent years (3rd, 4th and 5th year) is arrived based on first year limit for crop cultivation purpose plus 10% of the limit towards cost escalation / increase in scale of finance and estimated term loan component for the tenure of KCC, i.e., five years. The short term loan limit arrived for the 5th year plus the estimated long term loan requirement will be the Maximum Permissible Limit (MPL) and is to be treated as the KCC limit.

3. To ensure credit to the agricultural sector, the Government sets annual targets for flow of credit to agricultural sector taking, inter alia, into account the overall banking credit growth. Target for flow of agricultural credit has increased from Rs. 3,25,000 crore in 2009-10 to Rs. 10,00,000 crore in 2017-18. The achievement vis-Ã -vis the targets was Rs. 3,84,514 crore and Rs. 10,65,755.67 (Provisional as on 31.03.2017) in these years respectively.

4. The Government also provides interest subvention on short-term crop loans upto Rs.3 lakh which is available to farmers at the interest rate of 7% per annum. In case of timely repayment, additional incentive of 3% interest subvention is allowed, thereby reducing the effective interest rate to 4% per annum.

5. Requests for financial assistance to cater to the needs of the farmers were received from or on behalf of Tamil Nadu, Telangana and Uttar Pradesh. However, as per the extant policy of RBI, there is no scheme for waiver of loans of farmers.

****